

**APPROVED MINUTES**  
**APPROVED 10-21-13**  
**CITY OF SCOTTSDALE**  
**AUDIT COMMITTEE**



**MONDAY, AUGUST 19, 2013**

**CITY HALL, CITY ATTORNEY ANNEX CONFERENCE ROOM**  
**3939 NORTH DRINKWATER BLVD SCOTTSDALE, AZ 85251**

**REGULAR MEETING**

**PRESENT:** Suzanne Klapp, Vice Mayor and Chair  
Virginia Korte, Councilmember  
Robert Littlefield, Councilman

**STAFF:** Jan Cameron, Community Services Division  
Lorelei Oien, Human Resources Division  
Valerie Wegner, Human Resources Division  
Brian Biesemeyer, Water Resources Division  
Gina Kirklin, Water Resources Division  
Fritz Behring, City Manager  
Cathleen Davis, City Auditor's Office  
Joanna Munar, City Auditor's Office  
Sharron Walker, City Auditor

**GUESTS:** Donald Alvarez, Chair, Judicial Appointments Advisory Board

**CALL TO ORDER**

Chair Klapp called the meeting to order at approximately 3:34 p.m. A formal roll call confirmed the presence of Committee Members as noted above.

**1. Approval of Minutes, Regular Meeting, June 17, 2013**

**COUNCILMEMBER KORTE MOVED TO APPROVE THE MINUTES OF THE JUNE 17, 2013 REGULAR MEETING. COUNCILMAN LITTLEFIELD SECONDED THE MOTION, WHICH CARRIED BY A UNANIMOUS VOTE OF THREE (3) TO ZERO (0).**

**2. Discussion and possible direction to staff regarding Sunset Review: Human Services Commission**

City Auditor Sharron Walker introduced the review of the Human Services Commission, noting the Audit Committee is to evaluate whether the reviewed commission is serving its purpose; the purpose should be maintained or modified; or the purpose has been served or is no longer required. Further, the Audit Committee is to make a recommendation to the Council whether to continue or terminate the reviewed commission. The Committee Members had no questions for Ms. Jan Cameron of the Human Services Department. Councilmember Korte commented that the Commission does yeoman work and further inquired if Ms. Cameron would like to see any changes in the Commission's purpose or objectives.

Ms. Cameron said the Commissioners take their charge very seriously and do their best to represent City Council and the citizens of Scottsdale.

**COUNCILMEMBER KORTE MOVED TO RECOMMEND RETAINING THE HUMAN SERVICES COMMISSION. COUNCILMAN LITTLEFIELD SECONDED THE MOTION, WHICH CARRIED BY A UNANIMOUS VOTE OF THREE (3) TO ZERO (0).**

**3. Discussion and possible direction to staff regarding Sunset Review: Judicial Appointments Advisory Board**

Ms. Walker introduced the review of the Judicial Appointments Advisory Board. She noted that Chair Don Alvarez and Ms. Valerie Wegner were in attendance as representatives of the Board. Mr. Alvarez said the Board Members enjoy serving on the Board and welcome the opportunity to serve Scottsdale. He further noted the Board has two more judges coming up for review in the next couple months.

Chair Klapp commented that the Board's recommendations are thorough. Video of the interviews helps to demonstrate that the Board has gone through a lengthy process to arrive at the recommendations. Councilmember Korte agreed the Board recommendations are very helpful. Mr. Alvarez said much of the credit goes to staff, and added that input from City Council is always welcome. Councilman Littlefield commented on the improvement made by the Board in recent years.

**COUNCILMEMBER KORTE MOVED TO RECOMMEND RETAINING THE JUDICIAL APPOINTMENTS ADVISORY BOARD. COUNCILMAN LITTLEFIELD SECONDED THE MOTION, WHICH CARRIED BY A UNANIMOUS VOTE OF THREE (3) TO ZERO (0).**

**4. Discussion and possible direction to staff regarding Audit Report No. 1312, Wastewater Customer Rate Classification**

Ms. Joanna Munar of the City Auditor's Office presented the report. The auditors reviewed the process analysis and documentation of the Water Resources Division's recently completed wastewater customer rate classification project. The Water Quality Department monitors industrial discharge into the City sewer system and periodically inspects entities for compliance with City Code requirements. In early 2012 the Water Resources Division determined it was monitoring more than 1,250 food service establishments within the City for compliance, while the utility billing system only identified about 270 accounts as food service establishments. Because food service establishments place a higher demand on the City's wastewater system this classification has higher billing rates. Due to the discrepancy between the two systems Water Resources began an on-site inventory to reassess commercial customer classifications, primarily focused on whether meters serving multiple businesses were properly classified. Water Resources staff inspected and analyzed more than 670 meters serving multiuse commercial buildings. Overall the project resulted in reclassification of 289 meters. There were higher rates for commercial customers associated with 232 meters and lower rates for those associated with 57 meters.

The audit found that the concentration grading scale used for food service establishments in this analysis may be high due to dated research factors. However, the Water Resources Division is currently finalizing a request for a proposal for a wastewater cost of service study and plans to request that the study include providing current research factors. Also certain data process improvements can ease future maintenance efforts and help ensure results are properly applied.

The auditors recommend having a common data field to improve linking between the Water Quality Department's database, the City's tax and license system, the City's utility billing system and the project spreadsheet from which the analysis was performed.

Ms. Munar noted that Mr. Brian Biesemeyer of the Water Resources Department and Enterprise Finance Manager Ms. Gina Kirklin were in attendance. Mr. Biesemeyer said the Department has no disagreement with the auditors' findings. They plan to do further research on demand loads. They will look into linking the various computer systems, although he noted that this can be challenging with proprietary software programs. However, they will find a work-around solution.

**COUNCILMEMBER KORTE MOVED TO RECOMMEND ACCEPTING AUDIT REPORT NO. 1312. COUNCILMAN LITTLEFIELD SECONDED THE MOTION, WHICH CARRIED BY A UNANIMOUS VOTE OF THREE (3) TO ZERO (0).**

**5 Discussion and Possible Direction to staff regarding FY2013 2nd Quarter Taxpayer Problem Resolution Officer (TPRO) Report**

Ms. Cathleen Davis presented the report. The Committee Members had no questions.

**6 Discussion and possible direction to staff regarding status of FY 2013/14 Audit Plan**

Ms. Walker presented the status update. It appears the Committee will not need to meet in September. It is possible they will not need to meet in December and also in May 2014. Ms. Walker will continue to update the status report throughout the year and advise the Committee if this changes. The proposed meeting schedule is attached to the audit plan, which is similar to last year's schedule.

**7 Discussion and possible direction to staff regarding agenda items for next Audit Committee meeting (October 21, 2013)**

Ms. Walker noted the next meeting is scheduled for October 21 in the Kiva conference room. The agenda includes two sunset reviews, audit reports on the communications center staffing, and control and use of key water treatment supplies, the quarterly audit follow-up, and the next TPRO update.

**Public Comment**

No members of the public wished to address the Committee.

**Adjournment**

The meeting adjourned at approximately 3:49 p.m.

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